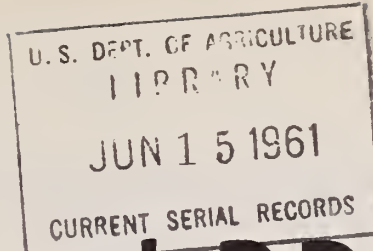


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

1.9
EC 752 Pa
Cop. 2
The



June 1960
FOR RELEASE
JUNE 29, P. M.

DEMAND and PRICE SITUATION

DPS-66



Approved by the Outlook and Situation Board, June 23, 1960

SUMMARY

Business trends in May and early June were mixed, with the level of economic activity about the same as in April. Continued declines in steel production during May were just about offset by small increases in other industries. Steel production in mid-June was down to about 62 percent of industry capacity and will likely decline further this summer. A strong pick-up in steel is expected in late summer to meet the needs of the auto industry after model changeover.

Capital spending by business in 1960 is now expected to total \$36.8 billion, 13 percent above 1959, according to the late April survey conducted by the Securities and Exchange Commission and the Department of Commerce. Spending in the current quarter is expected to reach an annual rate of \$37 billion and a further but relatively small rise in the rate of capital spending is indicated for the last half of the year. Construction outlays held steady in April and May after declining in late 1959 and early 1960. The reduction of the Federal Reserve rediscount rate reflects an easing in credit which may result in more funds available for financing residential housing.

(Continued on page 3)

Published monthly by
AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1959		1960				
		Year	May	Feb.	Mar.	Apr.	May	
Industrial production, seasonally adj. <u>1/</u>	1947-49=100	159	166	166	166	165	167	
All manufactures	do.	158	165	166	165	164	166	
Durable goods	do.	165	177	177	175	172	175	
Nondurable goods	do.	155	156	157	158	159	161	
Mining	do.	125	131	126	125	127	125	
Utilities	do.	268	266	281	288	285	286	
Construction:								
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	54,313	4,713	4,521	4,522	4,493	4,488	
Public construction	Mil. dol.	15,970	1,417	1,291	1,306	1,312	1,317	
Private residential	Mil. dol.	22,377	1,981	1,779	1,776	1,761	1,749	
Housing starts <u>3/</u>	Thousands	n.a.	1,580	1,347	1,098	1,305	1,305	
Manufacturers' sales and inventories: <u>2/</u>								
Total sales, seasonally adjusted	Mil. dol.	29,758	30,742	31,580	30,840	31,100		
Durable goods	Mil. dol.	15,359	15,515	15,670	15,170	15,100		
Unfilled orders-sales ratio <u>5/</u>		3.25	3.01	2.99	3.05	2.99		
Inventory-sales ratio <u>6/</u>		1.73	1.68	1.71	1.76	1.76		
Durable goods		1.96	1.92	1.99	2.09	2.11		
Employment and wages: <u>7/</u>								
Total civilian employment	Millions	65.6	66.0	64.5	64.3	66.2	67.2	
Nonagricultural	do.	59.7	59.6	59.9	59.7	60.8	61.4	
Unemployment	do.	3.8	3.4	3.9	4.2	3.7	3.5	
Workweek, in manufacturing	Hours	40.3	40.5	39.8	39.7	39.4	39.8	
Hourly earnings in manufacturing	Dollars	2.22	2.23	2.29	2.29	2.28	2.28	
Income and spending:								
Personal income payments <u>2/</u> <u>3/</u>	Bil. dol.	380.2	381.3	393.0	394.0	397.8	399.4	
Consumer credit outstanding <u>1/</u>	Mil. dol.	52,046	46,603	51,021	51,162	52,169		
Automobile	Mil. dol.	16,590	15,128	16,677	16,876	17,218		
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	17,930	18,222	18,100	18,234	18,880	18,371	
Durable goods	Mil. dol.	5,962	6,100	6,040	5,937	6,296	5,995	
Inventory-sales ratio <u>6/</u>		1.36	1.35	1.37	1.38	1.32		
Prices:								
Wholesale prices, all commodities <u>4/</u>	1947-49=100	120	120	119	120	120	120	
Commodities other than farm and food	do.	128	128	129	129	129	128	
Farm products	do.	89	91	87	90	91	90	
Foods processed	do.	107	108	106	107	107	107	
Consumer price index, all items <u>4/</u>	1947-49=100	125	124	126	126	126	126	
Food	do.	118	118	117	118	120	120	
Prices received by farmers <u>8/</u>	1910-14=100	240	244	233	241	242	241	
Crops	do.	221	228	218	222	225	228	
Livestock and products	do.	256	258	245	257	257	252	
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	298	298	299	300	302	301	
Family living items	do.	289	287	289	289	291	291	
Production items	do.	266	268	266	267	268	267	
Parity ratio <u>8/</u>		81	82	78	80	80	80	
Farm income and marketings: <u>8/</u>								
Volume of farm marketings	1947-49=100	127	99	101	98	98	103	
Cash receipts from farm marketings	Mil. dol.	32,777	2,180	2,072	2,140	2,199	2,300	

Annual data for most of these items for the years 1929, 1939, 1941 and 1946-59 appear on page 40 of the April 1960 issue.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.
8/ U. S. Department of Agriculture, Agricultural Marketing Service.

- - - - -
T H E D E M A N D A N D P R I C E S I T U A T I O N
- - - - -

Approved by the Outlook and Situation Board June 23, 1960

CONTENTS

	<u>Page</u>		<u>Page</u>
Summary.....	1	Feed.....	19
General Business Conditions.....	5	Wheat.....	20
World Commodity Prices.....	13	Fruit.....	21
Farm Income.....	15	Commercial Vegetables.....	22
Livestock and Meat.....	16	Potatoes.....	23
Dairy Products.....	16	Cotton.....	23
Poultry and Eggs.....	17	Wool.....	24
Oilseeds, Fats and Oils.....	18	Tobacco.....	26

Continued from cover page -

Employment increases in May were largely seasonal. The average work-week also picked up some, resulting in a slight increase in the flow of personal income. Income payments rose to an annual rate of \$399.4 billion in May, up 5 percent from a year earlier. While retail sales declined 3 percent from the record \$18.9 billion level in April, they were 1 percent above a year ago. Retail prices in the first five months of this year averaged $1\frac{1}{2}$ percent above a year earlier. Sales by food stores so far this year are about 4 percent above, while prices are averaging fractionally higher than a year ago. Costs of marketing farm foods averaged fractionally higher during the January-March quarter than in the same period last year and the farmers' share of the retail food dollar declined a cent to 38 cents.

Prices received by farmers have increased nearly 5 percent since last December, but averaged during January-May $2\frac{1}{2}$ percent below a year earlier. Prices paid by farmers for commodities, interest, taxes, and wage rates--the parity index--was up slightly during this period, and the parity ratio at 80 in recent months averaged 2 points below a year earlier.

United States agricultural exports for the 10 months ending April 1960 totalled \$3.8 billion. This was 22 percent above the comparable period a year earlier and in excess of exports for the entire previous fiscal year. In terms of quantity, exports in 1959-60 will set a new record.

Cash receipts from farm marketings in the first 5 months of 1960 were about 2 percent below the same period in 1959. Lower average prices more than offset a slightly larger volume of marketings. Preliminary estimates indicate that cash receipts in May were slightly above a year earlier due mostly to a larger volume of marketings and, to some extent, improved prices for crops.

Commodity Highlights

Prices of fed cattle probably will decline moderately this summer and hold little promise of much recovery this fall. Feeder cattle prices will weaken seasonally this fall. Hog slaughter this summer will be significantly smaller than last year.

Milk and milkfat prices to farmers are not expected to change much, other than the usual seasonal movements, for the rest of 1960.

Egg production is likely to decline more than seasonally later this year, with a more than seasonal price increase expected. Recent turkey hatchings have fallen below 1959, and the outlook now is for a total crop about the same as the 82 million birds raised last year.

The total wheat supply for the marketing year beginning July 1, 1960 is now estimated at a record 2,561 million bushels, 6 percent above last year's record and 26 percent above the 1954-58 average. Domestic disappearance for 1960-61 is expected to be about 625 million bushels, while exports are estimated at 510 million bushels.

Deciduous fruit prices for the coming season probably will be higher than in 1959. Total cold-storage stocks of frozen deciduous fruits and berries on June 1 were down 12 percent from a year ago.

Supplies of fresh market vegetables into early summer are expected to be somewhat smaller than those of a year ago. During the next 4 to 6 weeks prices of vegetables probably will average at least moderately above those of a year earlier.

The average price received by farmers for all cotton from the 1959 crop sold through March 31, 1960 was 31.4 cents per pound, about 1.8 cents below the average for the 1958 crop. The carryover of cotton in the United States on August 1, 1960 is estimated at about 7.8 million bales, 1.1 million bales less than that of 1959, and the lowest since 1953.

Cigarette output during July 1959-June 1960 is estimated at about 500 billion - over 20 billion above 1958-59 and above any previous fiscal or calendar year total.

GENERAL BUSINESS CONDITIONS

General business trends were mixed in May and early June, with the over-all level of activity about the same as in April. New orders for steel have dipped sharply in recent months. Production declined from 96 percent of capacity in December and January to 62 percent in mid-June. A 5 percent rise in automobile production in May and small gains in other industries advanced the Federal Reserve Board's index of industrial production to 110 (1957=100), a point above April and a year earlier. Employment increased by a million to a new record for the month, reflecting seasonal gains in agriculture, construction and other outdoor work. The rate of unemployment declined fractionally to 4.9 percent after seasonal adjustment, the same level as May a year ago. Construction activity leveled out, but plant and equipment spending continued to rise and is anticipated to reach a \$37 $\frac{1}{2}$ billion rate in the third quarter, up 12 percent from a year ago according to a recent Securities and Exchange Commission-Department of Commerce survey. The flow of personal income increased moderately. Retail sales, after the sharp pickup in April, declined a little but were still 1 percent above May of last year.

Investment Outlays

In recent months the important components of investment have shown divergent trends, with plant and equipment spending expected to rise gradually to a new high in 1960. The rate of inventory accumulation has slackened rapidly since the January high. Construction activity, after declining sharply in the last half of 1959, has leveled out in recent months, about 1 to 2 percent below the average for last summer.

Plant and Equipment Expenditures

Capital outlays for plant and equipment were at a seasonally adjusted annual rate of \$35.1 billion in the first quarter of 1960 according to the latest quarterly report by the Securities and Exchange Commission. This was a shade below the estimate made earlier in the year, as outlays by transportation industries other than railroads were below expectations. Based on a survey made in April, expenditures in the second and third quarter of the year are expected to achieve annual rates of \$37.0 and \$37.5 billion respectively.

Durable and nondurable manufacturing industries, railroads, public utilities and commercial companies expect investment, (seasonally adjusted) to rise, through at least the third quarter of the year. Mining and nonrail transportation industries plan increases for the second quarter, then a leveling off in their investment outlays.

Manufacturing outlays are expected to reach a rate of \$15.1 billion in the third quarter, nearly a fourth higher than in the third quarter of 1959, but 8 percent below the peak rate of \$16.4 billion reached in the third quarter of 1957. Outlays by non-manufacturing industries are expected to reach a record \$22.5 billion in the third quarter, 6 percent above a year earlier.

Capital investment outlays are running well above a year ago as are new orders for machinery and fabricated metal products. But scheduled investment outlays in coming months indicate that the rise in investment spending will be slower than in the early months of this year and large corporations report that capital appropriations have declined since the close of 1959.

Inventory Buildup Slows

In the first quarter of 1960 business inventories increased at an annual rate of \$10.6 billion, more than \$4 billion above the first quarter last year and only slightly below the peak in the second quarter of 1959. The book value of manufacturing and trade inventories in January rose \$1.1 billion in January; the rate of increase dropped to \$900 million in February, \$800 million in March, and \$300 million in April. Most of the change in stocks in recent months has been in durable goods at the manufacturing and retail levels. Automobiles in dealers' hands, which exceeded a million units by March, were also an important factor in the accumulation during the first quarter. One factor in the higher stocks is the larger number of car models and body styles offered this year, largely as a result of the introduction of the compact cars. While the value of total inventories held by all retailers in April 1960 was \$500 million above a year ago, the stock-sales ratio was at the relatively low level of 1.32. This compares with 1.36 in April 1959 and 1.45 two years ago, at the bottom of the 1957-58 recession.

Construction Activity Steady

Construction activity in May was about the same as in April, after seasonal adjustment, according to preliminary estimates of the Census Bureau. The value of work put in place in May was at an annual rate of \$53.9 billion, some 5 percent below the peak a year earlier. The decline in activity over the past year has been associated with a slackening in housing, both public and private, and in highways and military facilities. Partially offsetting was a sharp increase in industrial building. Private residential construction in May was 12 percent below a year earlier. Public construction outlays for military facilities were down about a third and highway spending was down about 6 percent.

The physical volume of construction activity was down more than value over the past year, reflecting about a 2 percent increase in costs. Declines in lumber prices in recent months have helped to keep construction costs level; the trend of wage rates is still upward but at a slower pace than last year.

The annual rate of housing starts in April recovered from the sharp March drop but was still substantially below January and February levels after taking account of seasonal factors. The decline in starts from the 1.6 million rate a year earlier reflects the tightening of money and credit. In recent months there has been some easing in mortgage rates and the volume of credit available has increased. The recent action by the Federal Reserve System to reduce the rediscount rate from 4 to $3\frac{1}{2}$ percent will tend to make mortgage financing easier. In addition, Federal reserve holdings of government securities increased by about \$1 billion from early March to early June, providing increased reserves to member banks.

Consumer Income and Spending

After a sharp jump in April, personal income rose moderately in May to an annual rate of \$399.4 billion, 5 percent above May 1959. Wage and salary payments increased a little between April and May, reflecting the small overall changes in the employment situation and the sharp recovery in the length of the workweek for manufacturing workers after a 3 month decline.

The level of retail sales dipped slightly in May from the April record of \$18.9 billion, but they were still 1 percent above a year ago. Sales of durable goods stores in May were down 5 percent from April and 2 percent from a year earlier. Declines in the furniture and appliance group more than offset the gain in automobile sales. Dealers' sales of American-made cars totaled 566,000 units in May or 22,700 per selling day. This was the highest rate since 1955 and about 7 percent above a year earlier. So far this year the industry has sold 2.7 million cars, about 13 percent more than in the same period of 1959. Sales of American-made compact cars during May accounted for about a fourth of the total.

Sales by nondurable goods stores declined to \$12.4 billion, seasonally adjusted, in May after registering a moderate increase during April. Department store sales, which rose 12 percent in April, declined 9 percent in May. Food store sales were 2 percent above April and 5 percent over May a year ago, reflecting both increased volume and higher prices.

Table 1.--Factors affecting construction activities for selected months, 1958,
1959 and 1960, seasonally adjusted annual rates except as noted

Item	Unit	1960				
		May 1958	May 1959	Jan. 1960	Mar. 1960	May 1960
Outlays, total	Mil. dol.	47,040	56,556	54,420	54,264	53,916
Private	do.	32,340	39,552	38,976	38,592	38,172
Residential	do.	16,872	23,772	22,092	21,312	21,132
Industrial and commercial buildings	do.	6,024	5,892	6,576	6,708	6,600
Farms	do.	1,464	1,692	1,644	1,596	1,584
Public utilities	do.	5,148	5,340	5,340	5,652	5,568
Public	do.	14,700	17,004	15,444	15,672	15,744
Buildings (res. & non res.)	do.	5,364	5,340	4,983	5,040	5,280
Military facilities	do.	1,284	1,728	1,284	1,380	1,296
Highways	do.	5,100	6,156	5,796	5,784	5,772
Non-farm housing starts	Thou. units	n.a.	1,580	1,291	1,098	1,305
Composite construction cost index <u>1/</u> <u>2/</u>	1947-49=100	138	141	142	143	143
Wholesale material and components for construction <u>1/</u>	1947-49=100	132.0	137.2	137.2	136.9	136.6
Average earnings contract construction <u>1/</u>	Hourly	2.97	3.07	3.24	3.31	n.a.
Consumer price index <u>1/</u>	1947-49=100	123.6	124.0	125.4	125.7	126.2
Housing	1947-49=100	127.8	128.8	130.7	131.3	131.4
Rent	1947-49=100	137.5	139.3	140.9	141.2	141.4

1/ Unadjusted.

2/ Department of Commerce.

n.a. Not available.

Departments of Commerce and Labor.

Urban Consumer Prices Rise

The Bureau of Labor Statistics Consumer Price Index reached a new high in May of 126.3 (1947-49=100). The 2 percent rise from a year earlier reflected increases in all major categories of the index. The food price index was up 1.4 percent from last May. Most of the fractional rise between April and May was due to an increase of 0.2 points in the food price index, resulting from higher prices for ham, bacon, and fresh fruits and vegetables. These gains were mainly seasonal. Prices were down for eggs, beef, and milk; the price of eggs dropping more than 5 percent.

The rent component of the index was unchanged in May, the first time in a year that this item failed to register an increase. This stability in rent coupled with some declines in other costs of household operation resulted in the first decline in the housing index since July 1958. The index for all commodities declined slightly; durable goods were down 0.2 points while non-durables remained unchanged.

Industrial Production and Employment

The trend of industrial production in recent months reflects the divergent movements in the economy since the end of the steel strike. The Federal Reserve Board's index reached a peak of 111 (1957=100) in January, dipped to 109 in March and has recovered a point since then.

Consumer goods production, after easing during the first quarter, picked up in April and May with increased output of automobiles, apparel, furniture and television sets. Production of household appliances advanced after a sharp decline during the first quarter. Production of business equipment increased 2 percent in May to a level 5 percent above May last year.

Job Gain Less Than Seasonal

Employment improved moderately in May, after a sharp recovery in April. Civilian employment in May reached 67.2 million, up 1 million from April. This was somewhat less than the usual seasonal increase at this time of year. May employment was 1.2 million above May of 1959 (a small part of this rise reflects the inclusion since January 1960 of labor force data for Alaska and Hawaii). Most of the job gains last month were in outdoor work of a seasonal nature. Construction work continued to recover from the effects of the March weather and was back up to the levels of last December and January. Farm employment, however, rose less than seasonally and was well below last year's level.

Average hourly earnings of manufacturing workers in May remained at the April level of \$2.29. Weekly earnings increased 91 cents to \$90.74 with the lengthening of the workweek from 39.4 to 39.8 hours. However, weekly earnings were still \$1.50 below the peak of last January.

Table 2.--Production, sales, and inventories of consumer goods, selected months, 1958, 1959 and 1960, seasonally adjusted

Item	Unit	1960			
		Jan.	Feb.	Mar.	Apr.
Retail sales, total	Mil. dol.	18,090	18,100	18,234	18,880
Stock-sales ratio	Ratio	1.35	1.37	1.38	1.32
Consumer price index (commodity) <u>1/</u>	1947-49=100	116.7	116.7	116.7	117.4
Consumer goods production	1957=100	111	113	113	115
Durable goods sales	Mil. dol.	5,891	6,040	5,937	6,296
Stock-sales ratio	Ratio	1.91	1.92	1.96	1.84
Consumer price index, durables <u>1/</u>	1947-49=100	113.3	113.3	112.5	112.1
Automotive and home goods production	1957=100	125	119	114	117
Nondurable goods sales	Mil. dol.	12,199	12,060	12,297	12,584
Stock-sales ratio	Ratio	1.09	1.09	1.09	1.06
Consumer price index, nondurables <u>1/</u>	1947-49=100	118.1	118.0	118.3	119.4
Apparel and staple goods production	1957=100	113	111	113	114

1/ Not seasonally adjusted

n. a. Not available.

Federal Reserve Board and Department of Commerce

Moderate improvement in the job situation is expected by mid-July, based upon employer estimates of prospective labor needs which were reported to local public employment offices. Although the increases may be largely seasonal and somewhat less than in the same period of 1959, gains are likely in both manufacturing and other nonfarm industries.

Employers anticipate an increase in hiring in the construction industry, chiefly for industrial, commercial and highway projects. Service and trade employment is expected to rise seasonally. In manufacturing, the largest gain is expected in the seasonally expanding food processing industry. Among the important durable goods industries little change in hiring is anticipated in autos, steel, fabricated metals and nonelectrical machinery. The comparative stability in auto employment prospects apparently reflects the improved sales picture in recent months, but declines in employment are anticipated later in the summer as the model changeover period approaches. In the steel industry employers hope to maintain present levels of employment through July, although the workweek may be reduced in some instances. A moderate job increase is anticipated in electrical machinery, instruments and ordnance. A further decline in aircraft employment is likely. Employment trends among nondurable goods industries will likely be mainly seasonal, at least through mid-July.

Farm Prices Down Slightly

Prices received by farmers declined fractionally between mid-April and mid-May to a level of 241 (1910-14=100). Grower prices, are up about 5 percent from the reduced level last December, but in January-May averaged $2\frac{1}{2}$ percent below the same period of 1959. Prices of vegetables and some fruits are declining seasonally. Prices of commercial vegetables in mid-May were about a fifth above a year ago; spring vegetable and melon production is estimated as of June 1 to be 5 percent below last year. Estimates for crops comprising about two-fifths of summer production indicate about a 1 percent reduction in these. Potato prices were declining seasonally in early June from mid-May levels, 29 percent above a year ago; supplies of the late spring and early summer potatoes, as estimated on June 1, are 15 and 2 percent respectively, above a year ago.

Prices received for hogs have increased substantially since last December and hogs at Chicago have moved up further since. Slaughter by mid-year will be running appreciably below a year earlier. Prices received for cattle have been steady in recent months, but with marketings expected to exceed a year ago after mid-year, some decline in prices is likely. Prices at Chicago have eased since mid-May. Egg prices have dipped from the mid-April average of 36 cents per dozen, as production increased in May, reflecting peak laying rates for the month compared with previous Mays. A substantial cut in the number of replacement chicks means a smaller laying flock, and smaller egg production and higher prices for the remainder of 1960 than in the same period of 1959.

Farm Exports Rise

U. S. agricultural exports for the 10 months ending April 1960 totaled \$3.8 billion. This was 22 percent above the comparable period a year earlier and in excess of exports for the entire previous fiscal year. About half of the \$700 million gain for the July-April period was accounted for by cotton. Except for sharply reduced relief shipments of dairy products and a slight decline in tobacco, all major export groups showed a gain over a year earlier. The July-April rate of increase in the value of exports confirms the estimate of \$4.5 billion for the 1959-60 fiscal year. In terms of quantity, fiscal year exports will exceed the 1956-57 record and be more than a fourth above last year.

Table 3.-United States Agricultural Exports, July 1959-April 1960, with Comparisons.

Item	July-June	July-April		Change
	FY 1958-59	FY 1958-59	FY 1959-60	
	Mil. dol.	Mil. dol.	Mil. dol.	Percent
Cotton and Linters	418	356	698	96
Tobacco	350	313	302	- 3
Wheat and U. S. flour	774	635	704	11
Rice	104	83	115	39
Feed grains	560	463	486	5
Feeds and fodders	56	n.a.	78	n.a.
Fats, oils & oilseeds	583	472	598	27
Fruits and preparations	229	188	209	11
Vegetables and preparations	135	106	119	13
Dairy products	143	119	104	- 13
Meats and meat products	94	77	96	25
Hides and skins	55	43	59	38
Total above, excluding feeds and fodders	3,445	2,855	3,490	22
All other	274	235	280	19
TOTAL	3,719	3,090	3,770	22

U. S. Bureau of the Census.

TRENDS IN WORLD COMMODITY PRICES

World commodity export prices have trended downward since the Korean peak of early 1951. (Table 4.) These price trends have been reflected in the value of U. S. exports and imports as well as the balance of payments and in the foreign exchange earnings of raw material exporting countries. For most primary commodities, the price decline was halted in the early months of 1959, and by the beginning of 1960 a generally firmer tone prevailed.

Export prices rose sharply with the outbreak of hostilities in Korea. Part of the price rise was speculative. But, the rise also reflected the sudden increase in demand on a free world productive capacity, some of which had not yet recovered from war and postwar dislocations. Also, free world resources of some war material had been reduced by the extension of communist control after World War II over Eastern Europe and the Far East.

The rise in demand and prices stimulated efforts to expand output, partly for stockpiling and other defense purposes. In addition, the level of U. S. price supports continued to give special stimulus to expanded foreign production of certain commodities, including cotton.

Increasing supplies and a reduction in demand from the inflated Korean level brought price declines for primary commodities. The decline was interrupted in 1954 when temporary shortages pushed coffee and cocoa prices to new highs, and during the Suez crisis when the price of fuels showed extraordinary strength. The decline in the United Nations index was especially sharp during late 1957 and early 1958. Not only had output of raw materials increased more rapidly than industrial production, but technological developments, including synthetic products, reduced the relative importance of traditional primary commodities. The industrial recession in the developed countries put a damper on current demand, and considerable inventory liquidation both commercial and from stockpiles brought additional pressure on prices. Furthermore, large scale sale for export of U. S. price support commodities at less than domestic prices which began in 1954 had removed the umbrella under which certain foreign commodities had been marketed.

These factors combined brought about in 1958 the first decline in total raw material production since the end of World War II. This reduction coincided with the end of the industrial recession here and abroad. Nevertheless, supplies in general continue more than ample even in the face of new record world consumption of industrial raw materials and most basic food-stuffs. Thus, the recent firming in the export index for primary commodities appears to be temporary. The rise in the index reflects improved prices for certain metals and fibers: food prices in general have remained close to the post-Korean lows.

Table 4.--World price trends, selected periods 1950-1959
(Indexes 1953=100)

Year	World export prices				Prices in world trade for agricultural commodities 1/						
	All commo- dities	Primary commo- dities	Manufac- tured goods	Total	Food			Non-food			
					: cocoa	: coffee	: tea	: Cereals	: Fats	: 'Textiles	
1950	89	93	86	91	87	89	110	100	118		
1951	108	119	103	102	97	102	151	126	159		
1952	105	104	104	101	95	103	111	104	107		
1953	100	100	100	100	100	100	100	100	100		
1954	99	104	98	107	136	89	100	98	101		
1955	99	99	99	96	103	87	102	92	95		
1956	101	100	103	97	100	86	101	99	92		
1957	103	102	107	98	97	83	101	95	97		
1958	100	96	107	94	94	82	90	94	78		
1959 2/	98	94	107	89	80	80	94	98	75		
1958											
Jan.-Mar.	101	97	108	93	97	81	93	92	85		
April-June	100	97	107	95	98	82	90	92	80		
July-Sept.	99	96	106	95	95	82	89	93	76		
Oct.-Dec.	99	95	106	93	88	82	88	98	71		
1959											
Jan.-Mar.	97	93	106	89	81	81	89	99	70		
April-June	97	94	107	88	80	79	95	102	76		
July-Sept.	98	95	107	89	80	79	95	94	77		
Oct.-Dec.	98	95	108	90	79	80	96	99	78		

1/ Indexes combining export and import prices. Because the price determining market for a number of primary commodities is in importing countries and because the combined index has better coverage than the export index, the combined index is thought to be the better indicator of price movements. In any case it differs little from the export index except for minerals where freight plays an important role. Prices arranged by long-term contract, as well as market prices are included in the price indexes, each with a weight proportional to the trade it represents.

2/ Preliminary.

United Nations Monthly Bulletin of Statistics, March, May 1960. For description see Annex IV February 1956 Bulletin.

Natural rubber is one of the few agricultural commodities for which world consumption is outrunning world production; prices in early June were about 30 percent above a year ago. Among the fibers, the decline in prices of cotton in world trade halted in late 1959; prices of upland types have improved slightly and for extra-long staples, considerably, as world consumption and stock demand rose with the end of the textile recession. Wool prices, also under the influence of resurgent demand, are currently about one-fourth above their lows at the beginning of 1959. Record supplies of coffee and cocoa overhang the market: cocoa prices are currently about 20 percent below a year earlier but coffee prices have steadied since export quotas were instituted under an international agreement. For sugar, where the free market is a relatively small segment of total trade, Soviet purchases from Cuba have not brought about anticipated price increases from the post-Korean low. The European drought firmed feed, egg and dairy prices in the latter part of 1959, but fairly sharp declines have appeared recently, part of which are seasonal. Prices of livestock products and certain fats and oils have been steady under the impact of rising consumption and lower supplies of some commodities, with recent changes also partly seasonal in character. World wheat prices have remained at the relatively low level of recent years, at about the IWA minimum, while rice prices have declined to a post-Korean low as the second successive record crop was harvested in the Far East.

In contrast to the movement of world export prices for primary commodities, the UN index of export prices for manufactured goods has shown remarkable stability in the past 3 years. However, a slight upward trend in recent months, coupled with the prospect of no major improvement in the price of raw materials, suggests that the postwar adverse shift in the terms of trade of raw material producing countries will tend to persist. The dependence of most underdeveloped countries on one or two raw materials for foreign exchange earnings underlines their probable need for continued large scale foreign financial help in order to finance their imports.

FARM INCOME

Cash receipts from farm marketings totaled \$11.4 billion during the first 5 months of 1960, 2 percent below the corresponding period of 1959. Lower average prices more than offset a slightly larger volume of marketings. Receipts from livestock and products amounted to \$7.5 billion, about 1 percent below January-May 1959. Marketings of meat animals during the 5 months exceeded a year earlier but prices averaged lower. Cash receipts from sales of crops amounted to \$3.9 billion during January-May 1960, nearly 4 percent below a year earlier. The volume of crop marketings--particularly wheat--continues below a year earlier.

The preliminary estimate of cash receipts from farm marketings during May is placed at \$2.3 billion--slightly above May 1959. Receipts from both crops and livestock exceeded a year earlier, due mostly to the larger volume of marketings of livestock and, to a lesser extent, improved prices for crops. Cash receipts from livestock and products are tentatively placed at \$1.6 billion and from crops--\$0.7 billion.

LIVESTOCK AND MEAT

Hog production continued to decline this spring, but farmers' intentions indicate a much smaller decrease next fall. Slaughter rates for cattle and sheep thus far this year indicate numbers are increasing further. Prices for cattle and sheep are generally below those of last year, while hogs are higher.

The pig crop this spring was 16 percent smaller than that of 1959. Since December-February farrowings were considerably below a year earlier, hog slaughter this summer will be significantly smaller than last year. Slaughter in the first 5 months averaged about 6 percent above last year. Hog prices at 8 central markets are currently about a dollar per 100 pounds above a year earlier.

The planned 4 percent cut in fall farrowings indicates a modest reduction in hog slaughter is likely next spring. If these intentions are realized the total fall crop will be about 41.5 million head. Producers in 10 Corn Belt States intended to reduce early fall farrowings but a small increase is expected in late fall farrowings.

Cattle slaughter will likely continue above last year the rest of 1960 with gains in both fed and grass cattle. The number of cattle on feed April 1 was 8 percent above a year earlier, and the rate of marketings in the second quarter indicates that a considerable number are still on hand. Marketings this summer and fall probably will be somewhat larger than last year. Marketings of grass cattle this fall will be seasonally large and above a year earlier. Prices of fed cattle will likely decline moderately this summer and hold little promise of much recovery this fall. Feeder cattle prices will weaken seasonally this fall.

Commercial slaughter of sheep and lambs in January-April totaled 3 percent less this year than last, but has been higher since. By mid-June Choice slaughter lambs (spring) at Chicago were about \$2.00 per 100 pounds below last June. Lamb prices will probably decline seasonally this summer and fall and prices will likely average a little below a year earlier. About average returns in lamb feeding last fall and winter will encourage feeders to put a higher proportion of this year's lambs in feed lots this fall than last.

DAIRY PRODUCTS

Production of milk in the United States increased to a seasonal peak in late May or early June, and averaged about 1 percent above a year earlier in the first 5 months of this year. Output is likely to continue above 1959 levels the rest of 1960. The latest data show a continued easing off of the decline in milk cow numbers, and output per cow is at a new high record this year. Prospects are for better pasture conditions this spring and summer than in 1959, when the largest reductions in milk flow from a year earlier occurred in May through August - about three-quarters of a billion pounds. Milk prices currently are more favorable than a year earlier in relation to prices of both feed and beef cattle.

The average price to farmers for milk in May was about 2 percent above a year earlier, and the price of milkfat in cream was up 1 percent. The price of milk for fluid purposes showed about the same increase as manufacturing milk. Production of milk on a daily basis has been up slightly this year, but population increase has been greater, and per capita production has been at a new record low. In the past 12 months milk prices have shown strength in relation to both all crops as a group and all other livestock products. Little change other than usual seasonal movements is likely in milk and milkfat prices to farmers in the rest of 1960.

Total consumption of fluid milk products in terms of milk equivalent is showing little, if any, increase this year. There apparently is a further downtrend in cream consumption this year and possibly little or no increase in fluid whole milk. But another rise is in prospect for the several skimmed milk items.

With larger total milk production, and no more used in fluid outlets, a slightly greater amount has been used in manufacturing. For the first four months, output of all items except evaporated milk increased, with butter showing the largest rise. Output of cheese has continued low relative to butter.

Practically no cheese has been offered to CCC under the price support program so far this marketing year. The volume of butter has been near that of a year earlier, and deliveries of nonfat dry milk have been larger.

By Presidential proclamation issued May 11, 1960, the import quotas on Edam, Gouda and Italian-type cows-milk cheese were increased, effective July 1, 1960. This is the first change in dairy product quotas since they were established in 1953, except for the establishment of a butter oil quota in 1957. Imports of some dairy products have been limited since 1953 to avoid interference with the domestic price support program.

POULTRY AND EGGS

Egg prices in the first half of June declined from 2 to 5 cents from mid-May to the lowest levels since early March, but remained above the unusually depressed levels of the comparable period in 1959. Mid-May and mid-June prices received by farmers in 1959 were both 25.2 cents per dozen, while the mid-May 1960 price - the latest available - was 32.7 cents. Production this spring has not followed the usual seasonal pattern. For the second time on record, May egg production was larger than April.

Egg production later this year is likely to decline more than seasonally. The current laying flock is slightly smaller than last year, contains a larger proportion of aged birds, and the number of replacement chickens being raised this year is a fifth smaller than last year. With the expected change in supply, egg prices are likely to increase more than seasonally, and to sustain or even to widen their margins above last year. This is likely even though a heavy movement of frozen egg into storage in the 4 or 5 weeks to mid-June raised holdings above a year earlier. Stocks of shell eggs remained below last year.

Broiler prices weakened in recent weeks, but prices of hens remained about steady to mid-June. The steadiness in prices of live hens - for the most part, egg-type birds selling at levels below broiler prices - is probably the consequence of slow marketings. The advent of hot weather is expected to cut egg production of older birds and to speed their sale from both broiler-breeding and table-egg flocks.

Live broiler prices have averaged near the current level, mostly 16-17 cents in North Georgia, since December. In the past these levels have induced increases in production. However, production did not increase until April, when egg settings in incubators increased markedly from the year before. Weekly settings and hatchings have continued above last year by 10 to 15 percent. Marketings will be correspondingly affected beginning about mid-July. However, the effect of the increased supply on prices may not be as severe as last summer, partly because there will be less pressure from pork supplies.

Last summer, mid-month average broiler prices were slightly below 16 cents per pound and the 1959 average was 16.1 cents. So far in 1960, the simple average of mid-month prices is 17.7 cents. The mid-May average of 17.8 cents was 2.0 cents higher than May 1959.

The weakening of turkey prices during May is partly a seasonal reflection of increasing marketings of both breeder hens and young turkeys. With these increased marketings, the use of birds from storage has declined, and holdings now are greater than at the same time last year, reversing the relationship that prevailed through April. The mid-May turkey price of 26.1 cents per pound was off 1.4 cents from the month before, but 3.9 cents higher than in 1959.

Recent turkey hatchings have fallen below 1959, and the outlook now is for a total crop not much different from the 82 million birds raised in 1959. In the first 3 months of 1960, the hatch considerably exceeded 1959. This year's crop will include fewer Beltsville turkeys than last year's.

OILSEEDS, FATS AND OILS

Exports of food fats and oils (including the oil equivalent of soybeans) in October-April 1959-60 totaled 2.2 billion pounds, 25 percent above the year before, as more soybeans, edible oils (cottonseed and soybean) and lard were shipped. Exports during May-September are expected to at least match the 1.6 billion pounds of a year ago, mainly reflecting a heavy movement of soybean oil under PL 480 programs. The total of 3.8 billion pounds expected for the entire 1959-60 marketing year compares with 3.3 billion pounds last year. Smaller supplies from other producing areas along with more competitive U.S. prices in world markets are encouraging the record movement of U.S. fats and oils abroad.

Domestic disappearance of food fats and oils during the first 7 months of the present marketing year was slightly above a year ago, and at a record level. Increases for margarine and shortening slightly more than offset declines in butter, salad and cooking oils and direct use of lard. As usual domestic use of food fats will decline seasonally during May-September, but probably will not differ much from last year's level.

The increase in total disappearance of U. S. food fats and oils in domestic and foreign markets should about equal the increase in 1959-60 production and carryover stocks (including the oil equivalent of soybeans) next October 1 probably will be nearly the same as the previous year. More edible oils are expected to be carried over into the 1960-61 marketing year, about the same volume of butter and lard but fewer soybeans.

Edible oil prices drifted downward during the first 6 months of the 1959-60 marketing year and averaged at the lowest levels in the postwar period. Since March, however, prices of soybean oil and cottonseed oil increased slightly and have remained firm. Bean oil prices during the remainder of the current marketing year probably will continue relatively stable, averaging somewhat below a year earlier. Strengthening cottonseed oil and lard prices because of seasonally declining supplies have been helping to strengthen soybean oil prices. Furthermore, the prospective heavy export movement of bean oil during the current export season is providing additional price strength.

Inedible tallow and grease output during October-April 1959-60 was 2.1 million pounds, 14 percent more than the year before. Production during May-September also is expected to be up from last year, and the 1959-60 marketing year total may be around 3.5 billion pounds compared with 3.2 billion in 1958-59.

Exports of inedible tallow and greases during October-April 1959-60 totaled 1.1 billion pounds compared with 0.7 billion last year. Tallow and grease shipments are expected to continue above the year-earlier rate and may total a record 1.7 billion pounds for the entire 1959-60 marketing year, up 0.4 billion pounds from the year before. Not only are these fats among the lowest priced in world trade, but exportable supplies of tallow and grease from other countries are limited. World demand is strong because of the economic recovery in many countries and because inedible tallow and grease is being substituted for other fats and oils which in total are in relatively short supply.

Despite these price-strengthening factors, prices of inedible tallow this summer are likely to continue to average below last year since the cattle slaughter cycle is now on the upswing and stocks are large.

FEED

Average prices received by farmers for feed grains have risen about 8 percent since December, but in May remained about 5 percent lower than in May 1959. Corn accounted for most of the rise in feed grain prices, advancing 11 cents per bushel from December to May. The May average of \$1.07 per bushel was 8 cents lower than a year ago, and 5 cents below the 1959 national average support level. The minimum support for the 1960 crop is \$1.06 per bushel, down 6 cents from 1959. Average prices of oats, barley and sorghum grain in May were all above the announced 1960 supports, which will be at the same levels as in 1959. Prices of oats and barley probably will decline during the next month or two as the 1960 crops are harvested. The decline in oats prices may be less than seasonal, if supplies turn out well below average, as indicated by current prospects.

Prices of most of the byproduct feeds have declined since January. In May wholesale prices of high-protein feeds averaged 9 percent lower than in January and 8 percent lower than a year earlier. The price of soybean meal in May and early June averaged near last year's level, while animal proteins were down 18 percent and fish meal prices were about a fourth lower. Although prices of wheat millfeeds and alfalfa meal have declined seasonally in recent weeks, they continued a little above a year ago in early June. Lower feed prices have been accompanied by higher prices for some of the livestock and livestock products. Livestock-feed ratios were generally more favorable to producers in May this year than last, particularly for hog and poultry producers.

Pastures and ranges have been good to excellent over most of the country this spring and early summer. The condition of pastures was the same as a year ago on June 1 and slightly better than average while the prospects for hay crops were better than last June 1 and the average. Farmers had made good progress in planting their corn in early June, though a much larger than usual percentage of the crop was planted after June 1 this year. Growing conditions have been favorable for the oats and barley crops, which were seeded much later than usual in the main producing areas.

Farmers have placed 512 million bushels of the record-large 1959 corn crop under price support through May this year, 131 million bushels above the total quantity in 1958-59, but below the record 551 million bushels placed under support in 1948-49. Much smaller quantities of oats, barley and sorghum grain were placed under price support this year than last. The total of 18.7 million tons of the 4 feed grains placed under price support from the 1959 crops was about 16 percent less than from the 1958 crops.

WHEAT

The total wheat supply for the marketing year beginning July 1, 1960 is now estimated at a record 2,561 million bushels, 6 percent above the previous record of a year earlier and 26 percent above the 1954-58 average. This increased supply primarily results from the large wheat crop expected in 1960.

The July 1, 1960 carryover is expected to be about 1,285 million bushels, about the same as the 1,279 million bushels a year earlier. The official estimate of stocks of old-crop wheat in all positions on July 1 will be released July 25. The bulk of the carryover will again be held by CCC. The 1960 crop was estimated as of June 1 at 1,271 million bushels, an increase of 143 million bushels over that produced in 1959. The prospective supply also includes an allowance for imports of about 7 million bushels, mostly of feeding quality and seed wheat.

Domestic disappearance for 1960-61 is estimated at about 625 million bushels, slightly above that estimated for the previous year. Exports are assumed to be about 500 million bushels. This would leave a carryover July 1, 1961 of about 1,435 million bushels, about 150 million bushels above the estimated carryover this July and a new record.

The average price received by farmers for wheat in mid-May, \$1.82, was at the high for the year, the same as for mid-March and mid-April. Hard red winter wheat prices have declined seasonally, with the price of No. 2 Hard Red Winter Wheat, ordinary protein, at Kansas City dropping from \$2.11 on April 1 to \$1.89 on June 22. At the Gulf, the decline was greater. The low for winter wheat in recent years has occurred in late June or early July. Spring wheat prices reach their low point later, often in late August. After the heavy movement slackens following harvest, prices to growers will advance, as in other years, reflecting the influence of the support program. The 1959-60 average price to farmers is estimated at \$1.76, about 5 cents above the average support rate after allowing for storage charges. The price in 1960-61 is again expected to average a little above the effective support rate.

On May 11, the Secretary of Agriculture proclaimed (1) marketing quotas on the 1961 crop (for the eighth successive year); (2) a national wheat acreage allotment of 55 million acres, the minimum permitted by law; and (3) set July 21, 1960 as the referendum date to determine producer approval or disapproval of quotas.

FRUIT

The 1960 crop of deciduous fruits is expected to fall below the heavy production in 1959, on the basis of the June 1 condition of the various fruits. Production in the Pacific Northwest and Northern Rocky Mountain States was cut by spring freezes. The prospective 1960 crops of peaches and sweet cherries are larger than the 1959 crops, but those of apricots, sour cherries, pears, plums and dried prunes in California, and strawberries are smaller. A U. S. apple crop about the same as last year is in prospect, but the June 1 condition of all varietal classes of California grapes was not as good as last year. Conditions continue generally favorable for the new 1960-61 citrus crops.

Harvest and marketing of the new deciduous fruit crops was hampered by wet and hot weather in California and delayed by the cold spring in the southern States. Early-season sales of most fruits, especially peaches, apricots and plums, brought higher shipping-point and terminal market prices than in 1959. Prices for strawberries in early June also averaged higher than a year earlier. As usual, prices can be expected to decline as market supplies of the new crops mount, but the level of prices for the season ahead probably will be higher than that of 1959. Consumer demand for fruit is expected to continue strong in view of the higher rates of personal income than a year ago. Processor demand also should be good, encouraged by the increased movement of canned fruits from the record 1959 pack.

By mid-June, movement of the 1959-60 citrus crop was about over in all States except California, where remaining supplies of Valencia oranges, grapefruit and lemons were lighter than a year ago. Shipping-point prices for comparable grades and sizes of the much smaller supplies of California Valencias probably will continue above year-earlier levels. However, a larger-than-usual percentage consists of small-sized oranges, which are currently priced considerably under the larger sizes. The approach to the end of the season for Florida

Valencias has been marked by increasing prices at levels under a year earlier. Prices for California lemons in early June continued under a year earlier. Cool weather has prevented a seasonal strengthening in demand and fresh lemons face competition from large supplies of processed lemon and other citrus products.

The 1959-60 pack of Florida frozen orange concentrate passed the 77 million-gallon mark on June 11, a volume a little under a year earlier. Movement continues heavier than a year ago, but packers' stocks remain up because of the increased carryover last fall. Stocks of Florida canned single-strength citrus juices also continue larger than a year earlier. Retail prices for most processed citrus juices have been somewhat lower since January 1960 than a year earlier.

Although cold-storage stocks of frozen strawberries increased during May as packing was seasonally heavy, stocks on June 1, 1960 were still 5 percent smaller than a year earlier. Total cold-storage stocks of frozen deciduous fruits and berries on June 1 were down 12 percent from the year-earlier volume.

COMMERCIAL VEGETABLES

For Fresh Market

Supplies of fresh market vegetables into early summer are expected to be somewhat smaller than those of a year earlier. Indicated production of 8 early summer crops, excluding melons, is down 8 percent from 1959. Prospective production of early summer cabbage and green peppers is about the same as last year, and cucumbers, onions and summer lettuce moderately larger. But indicated output of early summer sweet corn and tomatoes is down substantially, and carrots and celery down moderately.

Progress of many crops in the Northeast and Central States has been delayed by cool, wet weather, while dry weather has hindered planting and development in the Southeast. During the next 4 to 6 weeks prices of vegetables probably will average at least moderately above those of a year earlier.

Supplies of cantaloups in early summer are expected to be materially smaller than last year, but output of watermelons promises to be larger.

Indications are that acreages of late summer cabbage, carrots and onions are likely to be close to those of 1959, but watermelon acreage is 15 percent larger. Early reports indicate that growers plan 5 percent more acreage of cabbage for early fall harvest.

For Processing

Prices for processed vegetables are generally firm. Remaining supplies of both canned and frozen items are substantially smaller than the heavy supplies of a year ago.

Early reports indicate about 1 percent more acreage of vegetables for processing than in 1959. Near average yields on the indicated acreage would result in a canned pack close to that of last year, and a materially larger frozen pack. However, crops in most areas are late and this may reduce yields of some crops. Also, some of the planned acreage, particularly of peas, may not be planted or may be planted to other crops.

POTATOES

Storage potatoes from the fall crop are cleaning up earlier this season than last. But ~~more~~ new crop potatoes are available. The indicated late spring crop of 27 million hundredweight is 15 percent larger than last year, and the early summer crop slightly larger. Kern County shipping point prices of California Long Whites, washed, averaged \$2.28 per hundredweight for the week ended June 18 compared with the relatively high level of \$4.02 a year earlier. Barring weather interruptions of harvest in important areas, prices during the next 3 to 4 weeks may average close to current levels.

COTTON

The carryover of cotton in the United States on August 1, 1960 is estimated at about 7.8 million bales, 1.1 million bales less than that of 1959, and the lowest since 1953. Because of unusually large exports, as well as some increase in domestic mill consumption, disappearance in 1959-60 is greater than production.

Exports from the United States during the 1959-60 season are expected to total about 6.8 million bales. Registrations for export before August 1, 1960 under the payment-in-kind program were 6.8 million bales as of June 17. Registrations for the week ending June 17 were about 63,000 bales.

Domestic mill consumption continues to run at an annual rate of 9 million bales. This compares with 8.7 million in 1958-59. At the end of April the seasonally adjusted stock-unfilled order ratio for cotton broadwoven goods was 0.24, up from 0.21 of March and 0.19 of January and February. The increase probably foreshadows a decline in mill consumption of cotton during the latter half of 1960. However, it does not indicate a decline during the current marketing season since the ratio leads mill consumption by several months.

The value of the amount of fabric made from a pound of cotton (average for 20 constructions), which declined during March for the first time since June 1958, continued to decline in April and May. The average price for cotton used in manufacturing the fabric declined in March but increased in April. The mill margins declined in all three months. In May the average value of the fabric was 65.73 cents and the average mill margin was 32.77 cents.

Premiums and discounts for price support programs for the 1960 crops of cotton were announced by the U.S. Department of Agriculture on May 3. Under the Choice A program the price for Middling 1-inch cotton at average location is 32.42 cents per pound, compared with 34.10 cents under the 1959 programs. The loan rate for Middling 1-inch cotton at average location under the Choice B program for 1960 is 26.63 cents per pound, compared with 28.40 cents under the 1959 program. The differentials for both grade and staple for the 1960 programs generally are narrower than they were in 1959. For Middling 7/8-inch cotton the discount under the 1960 programs is 3.45 cents per pound, compared with 3.70 cents per pound under the 1959 programs. The export subsidy was changed from 8 to 6 cents a pound.

The mid-May parity price for upland cotton was 38.89 cents per pound, 0.71 of a cent higher than that of a year earlier. Parity prices since January 1960 have been higher than a year earlier, primarily because of an increase in the adjusted base price. Parity prices during the first 5 months of 1960 were the highest for these months since official records began in 1933.

The average price received by farmers for all cotton from the 1959 crop sold through March 31, 1960 was 31.4 cents per pound, about 1.8 cents below the average for the 1958 crop. Despite this decline, the value of the 1959 crop increased because of the much larger production. The value of the lint crop was estimated at \$2.3 billion compared with \$1.9 billion for the 1958 crop. The value of cotton and cottonseed from the 1959 crop was estimated at \$2.5 billion, compared with \$2.1 billion for cotton and cottonseed, for the 1958 crop. In addition, cotton producers received acreage reserve payments of \$300 million, for the 1959 crop. The 1959 crop of about 14,508,000 running bales was the largest since 1955 and compares with the 11,435,000 bale production of 1958. The average yield per harvested acre in the United States for the 1959 crop was 462 pounds per acre, 4 pounds below the 1958 record.

About 43 percent of the 1959 crop was machine-harvested, a record high. The previous high was 34 percent in 1958. The proportion of machine-harvesting has trended steadily upward since records were begun in 1949.

WOOL

The average price received by U.S. farmers for shorn wool for the 1959 marketing season (April 1959 to March 1960) was 43.3 cents per pound, 19 percent more than the 36.4 cents received for the 1958 marketing year. Shorn wool payments for the 1959 marketing year will amount to 43.2 percent of the dollar returns each producer received from the sale of shorn wool during the year. This is the amount needed to bring the average wool price up to the previously announced incentive level of 62 cents per pound under the National Wool Act. The payment rate on sales of unshorn lambs will be 75 cents per hundredweight of live animals sold.

The grower's price for shorn wool in May 1960 was 45.1 cents per pound, 5 percent more than in May 1959. With the new clip available, sales activity on the Boston market has increased from the dull market conditions that prevailed during the winter months. Prices during the past month have been mostly unchanged with demand continuing strong for medium fleeces.

World wool prices have been firm with some small increases during the past month. In the Australian auctions prices have been relatively firm with some increases noted as offerings continued heavy. The New Zealand and South African auctions closed for the season on May 30 with prices firm and most offerings sold. Activity in the South American markets has increased, especially in Argentina where there has been a demand for carpet wools.

U. S. consumption of raw wool on the woolen and worsted system during January-April 1960 amounted to 145.5 million pounds, scoured basis, compared with 147.7 million pounds for the same 4 month period last year. On a seasonally adjusted basis, total raw wool consumption during the first 4 months of this year was down only slightly more than 1 percent from last year.

Mill consumption of apparel wools during the first 4 months of 1960 totaled 34.1 million pounds, scoured basis, 5 percent less than January-April 1959. The seasonally adjusted average weekly rate of consumption during April 1960 was 4,793 thousand pounds, 5 percent more than the March 1960 rate but 13 percent less than April 1959. If consumption continues at the seasonally adjusted weekly rates of the first 4 months, the year's total will be about 250 million pounds, 6 percent less than 1959.

January-April mill use of carpet wool totaled 61.4 million pounds, scoured basis, 4 percent more than the same period last year. The seasonally adjusted average weekly rate of consumption during April 1960 was 3,392 thousand pounds, 13 percent more than the rate in March 1960, but 2 percent less than the April 1959 rate. If consumption continues at the seasonally adjusted rates of the first four months, the year's total will be about 165 million pounds, approximately the same as in 1959.

Estimates compiled by the Commonwealth Economic Committee show raw wool consumption in the 10 chief consuming countries of the free world totaled 528 million pounds, clean basis, during the first quarter of 1960. This is 2 percent more than the fourth quarter of 1959. The increase results from increased mill use in the United States, the United Kingdom and Japan. All the other countries had lower consumption. Mill use during the first quarter of 1960 in these 10 countries was 17 percent more than the same period in 1959, due chiefly to substantial increases in France, Japan, and Italy.

The tariff quota of 13.5 million pounds on imports of woven fabrics wholly or in chief value of wool was filled on March 4, more than 2 months ahead of last year. Now that the quota has been filled, the ad valorem rate is increased from 25 percent to 45 percent for woven fabrics imported during the remainder of 1960, with the exception of an over-quota of 350,000 pounds on certain high-price, high-quality fabrics. As of June 16, 339,700 pounds of woven fabric in these categories had been imported. In contrast to this increase in imports of woven fabrics, imports of raw wool during the first 4 months of 1960 are significantly below the same period in 1959. This is due, in part, to the build-up of stocks during 1959 and slightly less consumption of raw wool thus far during 1960 than a year before.

TOBACCO

Cigarette output during July 1959-June 1960 is estimated at about 500 billion--over 20 billion above 1958-59 and above any previous fiscal or calendar year total. Domestic use of flue-cured and burley--the big cigarette tobaccos--was significantly larger in 1959-60 than in 1958-59 according to early indications. In several previous years, domestic use of these kinds of tobacco failed to increase as cigarette output rose.

The number of cigars and cigarillos manufactured in domestic factories in the year ending June 30 is estimated at close to $6\frac{3}{4}$ billion--nearly $\frac{1}{4}$ percent more than in 1958-59. Total consumption, including cigars made of imported tobacco in bonded manufacturing warehouses, those shipped from Puerto Rico, and imports probably totaled 7.1 billion in fiscal 1959-60. A significant part of this total was cigarillos. In calendar year 1959, cigarillos comprised $13\frac{1}{2}$ percent of the total.

Market testing of cigars made with wrapper manufactured in continuous form instead of with wrappers from individual leaves has been announced. If successful, important economies could be achieved in cigar making and the shadegrown cigar wrapper types of tobacco would be significantly affected.

Production of smoking tobacco for pipes and "roll-your-own" cigarettes in the year ending June 30 is estimated at 73 million pounds-- $2\frac{1}{2}$ percent less than in 1958-59. Manufactures of chewing tobacco estimated at near 66 million pounds and of snuff at about 34 million pounds were down about 4 percent and $1\frac{1}{2}$ percent respectively from 1958-59.

U. S. exports of unmanufactured tobacco in the year ending June 30, 1960 are estimated at about 455 million pounds, export weight (510 million pounds farm sales weight). This is 4 percent below 1958-59 and the lowest in 7 years. Increasing competition from expanded foreign production, high import duties and other restrictions are limiting shipments, even though the major underlying economic factors, such as economic activity and dollar reserves abroad, are favorable for U. S. tobacco exports.

Auction marketings of 1959 crop Maryland tobacco through mid-June totaled about $17\frac{1}{2}$ million pounds and averaged 61.6 cents per pound--1 percent lower than in the corresponding period of last year. Nearly 3 million pounds have been received at the Baltimore hogshead market and these receipts plus the auction volume indicate that about three-fifths of the 1959 crop has moved to market.

Both export and domestic buyers have expressed concern over the use of sucker control chemicals which it is contended adversely affect the physical and chemical properties of leaf tobacco. Tobacco growers have been cautioned by the Department that the use of maleic hydrazide (MH-30) could seriously jeopardize the tobacco price support program and the domestic and export markets for U. S. tobacco.

U. S. Department of Agriculture
Washington 25, D. C .

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICIAL BUSINESS

NOTICE

If you no longer need this publication,
check here ☐ return this sheet,
and your name will be dropped from
the mailing list.

If your address should be changed,
write the new address on this sheet
and return the whole sheet to:

Administrative Services Division (ML)
Agricultural Marketing Service
U. S. Department of Agriculture
Washington 25, D. C.

:
: The Demand and Price Situation is published :
: monthly. :
: * * * * :
: The next issue is scheduled for release on :
: July 26, 1960. :
: